

*Bradners'*  
**Alaska Economic Report**  
*Alaska's only comprehensive business  
 analysis — since 1974*

PUBLISHER: Tim Bradner / FOUNDER: Mike Bradner  
 Business Office: (907) 440-6068 / Fax: (907) 345-5683

No. 5/2025 April 11, 2025

## Permanent Fund rides out a roiled market

### Diversification is key; payment to state ok – for now

The Permanent Fund dipped to \$78 billion last week as markets reacted to the President's tariffs, but then rebounded. Even as the S&P 500 plummeted 10% Alaska's fund was down only 2.8%. That's because of the Fund's diversification. Only 32% of the Fund is in public equities, or stocks, sensitive to market swings. The rest is in fixed income, bonds or real estate, and private equity investments. The situation could worsen if a recession develops but the Alaska fund has seen worse. In the 2008 global financial crisis the Fund dropped 28% in value while the S&P 500 dropped 58%. Other downturns include the 2002 DOT-COM bust and the Covid drop in 2020.

What's more important than swings in total value is the cash earnings that flow into the Fund's Earnings Reserve Account. This supports the annual Percent-of-Market Value payment to support

the state budget as well as the inflation-proofing transfer to the protected principle of the Fund. As of February, \$3.2 billion is in the earnings reserve net of the scheduled \$3.8 billion POMV payment this year and a planned \$1 billion inflation-proofing transfer. Cash earnings from bond interest, real estate rents and sales transactions of stocks or other equity will add to the \$3.2 billion through the fiscal year. However, the POMV to the state is set to rise to between \$3.8 billion and \$4 billion for the next budget year, FY 2027. Another \$1 billion to \$1.5 billion would be needed for inflation-proofing.

*Bottom line: A possible shortfall for FY 2027.*

#### ***In this Issue:***

- Alaska LNG Project pp. 4-5
- Health care p. 7
- Seafood p. 8

## Graphite One triples its resources in deposit near Nome

Graphite One has tripled its graphite resources at the company's mining project 38 miles northwest of Nome following completion of an aggressive two-year drilling program. The company is optimistic that more resources will be added. The current drilling has tested 1.2 miles of a 9.5-mile geologic formation that contains the graphite ore.

The results indicate 3.7 million tonnes of graphite contained in 71.2 million tonnes of ore. A "tonne" is a unit of measurement equaling 2,200 pounds compared with a U.S. "ton" of 2,000 pounds. The deposit is the largest in the U.S. containing flaked graphite, which is in high demand in high-technology fields and weapons manufacturing.

## **Energy:**

### **Interior energy projects still frozen**

A \$50 million federal grant to get a start on the large, long-duration 100 Megawatt power storage project for Golden Valley Electric Association is still “frozen.” No further word on this until April 20, sources say. The project would provide energy security for GVEA’s interior Alaska service area for up to 10 days including the military bases. The project would total \$333 million at full buildout with those funds coming from private sources. The facility would be located at North Pole, near Fairbanks.

\*\*\*

## **Housing:**

### **Home mortgages outpacing rent**

Data from Construction Coverage, a national analytics firm, shows the cost of a monthly home mortgage in Anchorage at 57.5% higher than average monthly rent. Median home mortgage payment is now \$2,646 while the rental average is \$1,681, according to the firm. The survey included 343 cities. Nationally, monthly median mortgage payments are 21% higher than median rent.

\*\*\*

## **Workforce:**

### **New training center for carpenters**

A \$16 million new training center for carpenters and pile drivers is planned for Anchorage with construction to be underway in May. The 32,000-square-foot facility will be in east Anchorage and will replace a smaller, older training facility in south Anchorage. The carpenters’ union Western States Carpenters Training Fund is developing the project. Demand is high in Alaska for carpenters and pile drivers as the state’s boom in construction continues.

## **Arctic affairs:**

### **Cooperation in tatters? Our analysis**

President Donald Trump’s aggressive stance on Greenland and Canada has pretty much shredded any chance of significant cooperation on Arctic matters. Former U.S. Arctic Ambassador Mike Sfraga briefed legislators in Juneau last week and tried to be upbeat, outlining continued possibilities, but there was an underlying tone of lost chances in Sfraga’s remarks.

The chair of the Arctic Council, the group of Arctic nations formed to allow for coordination, passes from Norway to Denmark in May. President Trump’s obsession to possess Greenland, by force if necessary, will hardly make for amiable meetings. Russia is already out of the group following its invasion of Ukraine, and that removes a huge Arctic player. Until Trump voiced his desires about Greenland and Canada the Council was continuing work absent Russia but with North American and European participation. Alaska makes the U.S. an Arctic nation, but the U.S. may have little influence now on transnational issues. Alaska has a big stake in continued research, environmental protection and search and rescue cooperation. The state is exposed, too, because of fast-growing Russian and Chinese vessel traffic through the Bering Strait and with no plans for cooperation in the event of a marine accident.

Alaska-Canada defense cooperation is still in place through NORAD. But given President Trump’s warming up to Russia and hawkish U.S. threats over Greenland, it’s hard to believe that won’t change, particularly if tensions continue to grow over Greenland. – *Analysis by Tim Bradner*

\*\*\*

## State forest carbon credits to sell in late 2026

People ask what has happened with the state's planned sale of forest carbon credits, approved by the Legislature in 2023. Here's the latest: It has taken a while for the state Department of Natural Resources, or DNR, to develop this but it looks like the first sale of carbon credits will be from the Tanana Valley State Forest in the Interior in late 2026. That would also bring in the first revenue to the state, according to the DNR. An experienced consulting firm, Terra Verde, is under contract to help develop and coordinate registration of the project with a recognized carbon registry, the American Carbon Registry, or ACR. This is an independent entity that verifies the project and issues carbon credits. Terra Verde would do the science in evaluating the ability to store carbon in the tracts selected, which would then be verified by the ACR. Actual sales of credits would be by the state, with Terra Verde assisting.

The plan for sales in late 2026 is ahead of the schedule given the Legislature when the forest carbon legislation passed. DNR said the initial feasibility work for the Tanana Valley project has been completed, but that the agency must still do a Best Interest Finding, the public process that ensures that the project is in the best interest of the state. The Tanana Valley State Forest was chosen to begin the program because its forest management plan will be the first to be revised to allow for carbon projects. Only parts of the forest would be involved, portions with "merchantable" timber like white spruce and birch that have superior ability to absorb and store carbon as compared with, for example, the black spruce common in the area.

Some background on this: Forest carbon credit sales involve buyers purchasing credits based on the amount of carbon stored in forests. Trees absorb carbon dioxide and give off oxygen and the amount of carbon stored is estimated by inventorying trees to establish a baseline and then re-measuring periodically. The independent carbon registry reviews the methods and data used in measuring and reporting before verifying the credits.

The DNR is also developing a separate program which allows companies to lease state-owned underground reservoirs for carbon storage. This program involves DNR's Division of Oil and Gas issuing the land leases and the Alaska Oil and Gas Conservation Commission, or AOGCC, a quasi-independent judicial body that regulates underground oil and gas injection and safety, issuing permits for special wells equipped to handle carbon dioxide, which is corrosive. The AOGCC is in the process of obtaining the necessary approval from the U.S. Environmental Protection Agency for the injection program.

### **Business news: Carrs-Safeway to close legacy Anchorage store serving low-income area**

Carrs-Safeway announced that it will close its Gambell Street store that serves Fairview, a lower-income neighborhood in Anchorage. The store has operated since the 1950s and was the first store in what became the family-owned Carrs grocery chain that was later purchased by Safeway. The closure will affect many Fairview residents who do not have access to a vehicle to reach other grocery stores.

## **Transportation:**

### **West Susitna access road will be open to public**

If the proposed West Susitna Access Project, a 99-mile road in the western Matanuska-Susitna Borough, is built it will be a public road open to all users, the developer of the project, the Alaska Industrial Development and Export Authority, told a state legislative committee April 1. Access to the road, intended to open areas to natural resource development, is a political hot button in the region. On one side are Mat-Su residents who want more access for recreation and potential building of cabins and homes along the road. On the other side are local conservation-minded residents who worry that increased access will lead to adverse impacts on fish and wildlife and possible environmental degradation. AIDEA had initially proposed that the road be industrial-use only with limited public use similar to what's proposed for the Ambler Access Project, a 211-mile proposed resource road that would be built into the Ambler Mining District.

The West Susitna road would reach areas where mining companies are exploring discoveries of gold and coal, AIDEA told the Senate Transportation Committee in Juneau in a presentation. An important aspect is that AIDEA, the state's development finance corporation, can finance the road only with revenue bonds which must be tied to contracts for commercial use of the road and fees paid, similar to the way the Red Dog Mine and port operate in Northwest Alaska. To accomplish this mines must actually be developed at the end of the road. Companies are some years away from having enough ore reserves to finance construction of the mines that can ship ore and pay sufficient fees to pay the bond debt service. Bottom line: We're some years away from the mines, and road, happening.

Financially, AIDEA seems to be doing well. Its \$65 million in net income for FY 2024 (the latest year for which final data is in) was the highest in its history. This funded a \$20 million dividend to help support the state budget in FY 2026, the upcoming state financial year that begins July 1. AIDEA's net position, or net worth, increased \$52.8 million in FY 2024 to a total of \$1.491 billion. Based on expectations of new projects being planning the authority expects its net position to increase 10% annually over the next few years, it told the Senate committee April 1.

### **Legislature wants a reality check on Alaska LNG**

Community and government leaders are encouraged by the forward momentum on the big \$40 billion-plus Alaska LNG Project. But despite the support from President Trump and Alaska's Gov. Mike Dunleavy many are concerned whether the project can really come together. In Asia, where the market is, government leaders make positive noises hoping to placate President Trump but business leaders are still cautious, according to the business press in Japan, South Korea and Taiwan. In Alaska, legislators worry about things going wrong and the state being stuck with liabilities. Pegasus Global Holdings, a consulting firm under contract with the Legislature, was asked to update a 2019 report done to assess Alaska LNG.

*– Continued on page 5*

## Consultants review lessons learned on mega-projects

– Continued from page 4

Pegasus reviewed its 2019 findings for the Senate Resources Committee on April 5 and spoke to how risks are mitigated on large “mega” projects. The procedures, such as staged-gate decision-making (stopping to evaluate risks at certain stages) were familiar to longer-serving legislators who remember ExxonMobil’s similar approach when it managed the pre-feasibility and engineering in 2015 and 2016 on what became the Alaska LNG Project. ExxonMobil and other industry partners withdrew in 2016 and turned the project over to the state’s Alaska Gasline Development Corp., or AGDC.

Pegasus-Global also reviewed case studies of Trans Alaska Pipeline System construction from 1974 to 1977 and the TAPS Strategic Reconfiguration Project in 2004, where pipeline pump stations were modernized. The TAPS experience is detailed in a federal General Accounting Office, or GAO, study. The challenges faced by the major oil companies new to Alaska are well known, such as unfamiliarity with permafrost. Other factors included poor productivity in cold weather; more groundwater than anticipated; temperature changes and settlement requiring realignment; insufficient contingency for cost escalation; little allowances for cost escalation; and underestimated need for elevated pipe in permafrost. *Much of this could be avoided in Alaska LNG Project because of the extensive knowledge now held on soils and other conditions, plus the proximity of infrastructure.*

The Strategic Reconfiguration Project, which is more recent, offers up other “lessons learned,” in a study commissioned by the Federal Energy Regulatory Commission, or FERC. In this case, the FERC study found that the project group hired lacked Alaska experience and failed to effectively manage the project; the project was poorly developed at the sanction (approval) level, leading to poor schedule and cost estimates; there was a reduction of the project contingency reserve to an unrealistic level to improve project economics, and there were failures to rely on internal project risk assessments. For Alaska LNG, Pegasus-Global recommends that the Legislature examine the project risk management program, the conceptual and preliminary engineering (note: these were done by the industry group in the years up to 2016), and the scope of final engineering to now be done by Glenfarne, the AGDC’s new partner. The Legislature should also provide a mechanism for oversight of Glenfarne.

### **Alaska LNG Project: Final engineering on the 42-inch North Slope gas pipeline to begin**

Final engineering on the 42-inch North Slope gas pipeline is expected to begin late this month with completion of the \$50 million project later this year or in 2026, according to sources. Glenfarne, AGDC’s partner, also hopes to identify participants in the pipeline in the next few months. An updated cost estimate for the 800-mile pipeline would be done as a part of the Front End Engineering and Design, or FEED. If built, the pipeline would allow for North Slope gas deliveries to Interior and Southcentral Alaska. This would be followed by a liquefied natural gas plant at Nikiski, near Kenai, according to the plan.

## **Petroleum:**

### **Santos hopes for Pikka year-end start**

Santos Ltd. is bullish about completing its Pikka project and beginning construction at the end of this year but the company cautions that this will depend on logistics and weather affecting delivery of modules on barges up Canada's Hay River. The company's official start date is still mid-2026, but fingers are crossed for late this year. The ramp-up to 80,000 barrels per day production will happen fairly quickly and Pikka should stay at that plateau for several years.

\*\*\*

## **Petroleum:**

### **New drilling for natural gas in Inlet**

Companies are stepping up new drilling for natural gas in Cook Inlet, responding to pending declines in regional gas production. Furie Operating Alaska is drilling two more natural gas wells in its Kitchen Lights field in Cook Inlet and has signed an agreement with Hilcorp Energy to use that company's jack-up rig. The Spartan 151 rig is the only jack-up rig available and is needed by Furie to drill its new wells. Furie committed to a \$40 million drilling program after the state Department of Natural Resources agreed to a reduction of state royalty. The state's Alaska Industrial Development and Export Authority has provided financing.

Meanwhile, Hilcorp, the major Cook Inlet gas producer plans new onshore wells and a second production pad at its small onshore Pretty Creek gas field on the west side of the Inlet. Clearing and pad construction will be underway in late spring; drilling will start in September with up to five wells planned. Pretty Creek was discovered by Union Oil in 1986 but the field has seen sporadic production.

\*\*\*

### **Hilcorp is busy: 10 rigs running**

ConocoPhillips at Willow and Santos, Ltd. at Pikka are getting a lot of attention but Hilcorp Energy is hustling at the Milne Point and Prudhoe Bay fields, where it is operator. Milne Point production is over 50,000 barrels per day and Hilcorp expects it to reach 60,000 barrels per day in three years or so, the company told state legislators in an April 2 briefing. That's up from 18,000 barrel per day Milne Point was producing in 2014 when Hilcorp bought the field from BP. The company now has 10 drill rigs operating, seven on the North Slope and three in Cook Inlet.

Some highlights from the April 2 presentation:

- Milne Point production growth has added \$500 million in new state revenue, consisting of \$290 million in property tax, \$130 million in royalties and \$80 million in production tax
- Hilcorp's 2025 Alaska investment is \$750 million
- The company will add 100,000 barrels per day in new production this year
- Prudhoe Bay production has been stabilized after years of 4% annual declines
- The company expects to increase its North Slope production by 5% in 2025 and has a five-year goal of a 10% cumulative increase
- Employment in Alaska is at 1,700, with an additional 2,500 contractor employees
- The company spends \$750 million a year with Alaska vendors
- 70% of Hilcorp's corporate assets are in Alaska

\*\*\*

*Added note: Hilcorp plans two Interior Alaska exploration wells this summer under agreements with Doyon Ltd. and Birch Creek village.*

\*\*\*

## **Minerals:**

### **UAF minerals research funds still frozen**

U.S. Department of Energy funds for the University of Alaska Fairbanks' phase two of a critical minerals research program are still on hold but a review is underway within the DOE. Decisions on releasing the money may come in late April, according to sources. See page 2 for an item on Golden Valley Electric Association's energy storage project, which is in a similar holding pattern. Given President Trump's priority on critical minerals it's likely the UAF money will be released. The state Division of Geologic and Geophysical Survey is a partner with UAF, as it was in phase one.

\*\*\*

### **UAF will now lead on coal CO2 project**

UAF is now taking the lead on a request for federal funds for an underground carbon dioxide injection and storage project associated with a proposed large coal power plant to be in the western Mat-Su region northwest of Anchorage. Flatlands Energy is doing exploration on state coal leases and has identified a substantial coal resource. Underground storage of CO2 would make the plant "carbon neutral" in terms of greenhouse gas emissions.

\*\*\*

## **Seafood:**

### **Markets stabilize a bit, for now**

We hear seafood markets stabilized a bit after recent U.S. Department of Agriculture purchases for low-income assistance, but there are worries that President Trump, who is friendly to Russia, will allow Russian seafood back into U.S. markets. Also, Trump's new tariff policies are roiling markets, so there are still huge uncertainties. Inflation fears could also chill domestic seafood sales. Consumers still think seafood is an expensive protein.

\*\*\*

## **Health care:**

### **Agreement on "prior authorization"**

There's now general agreement between health care providers and insurance companies on prior authorization for medical procedures. Legislation setting this out is now moving through the state Legislature in Juneau. Delays in approvals for even routine procedures have become a serious problem for Alaska hospitals, but new agreement forged last summer and fall, facilitated by the state Division of Insurance, should ease problems.

\*\*\*

### **Primary care minimum reimbursement**

Last summer the state Division of Insurance engaged in a series of meetings with health providers, with a major focus on primary care, as to financial conditions and insurance reimbursement rates. Based on the meetings, a Request for Proposals will be going out for an in-depth study of medical professional compensation. The study should be underway by late summer with results expected in about six months. The last independent assessment of compensation, and costs, was in 2010 when the former Alaska Health Care Commission engaged Milliman, Inc. to do a deep dive into the pricing of health care in the state.

There are proposals in the Legislature to set a fixed reimbursement rate at 450% of Medicare (insurers now pay providers 185% of Medicare) but the division, at the governor's direction, wants research done as to whether 450% is a realistic target or whether there should be different minimum reimbursements for different types of providers. Medicare rates are often used as a benchmark for the pricing of health care.

\*\*\*

## **Seafood:**

### **Trump’s “U.S. content” desire could help Alaska seafood exporters**

Like everyone else, seafood producers are deeply worried about President Trump’s tariff policies and other countries’ counter-tariffs but one glimmer of hope is a part of the president’s April 2 Executive Order that speaks to reductions of U.S. tariffs for imports that have U.S. content. This would help Alaska exporters who shift fish that has primary processing to countries that reprocess into final products and export back to the U.S. The value of the U.S. (Alaskan) content would reduce the tariff, under this plan.

## **Energy:**

### **State solicits bids for geothermal leases near Augustine Volcano**

Alaska’s Department of Natural Resources began accepting bids April 3 on 55,771 acres of state land on the northern half of St. Augustine Island in Lower Cook Inlet. Winning bids will be announced April 22, the DNR said. The active Augustine Volcano is on the island. The southern part of the island is now leased to Alaska-based GeoAlaska LLC, which plans exploration drilling to test the resource. Companies have shown interest in Cook Inlet region geothermal in the past. Ormat Technologies, an experienced developer, secured permits and did exploration drilling at Mt. Spurr, another volcano near Anchorage. The company was unable to find the right geothermal resource, however, and dropped the project in 2015. One of Ormat’s challenges was that it had access to insufficient acreage to fully explore the prospect. The state DNR has since eased this problem with changes to state statutes, which may lead to rekindled interest at Mt. Spurr.

## **Tourism:**

### **Juneau approves a fifth downtown cruise ship dock**

Juneau’s assembly approved a 33-year tidelands lease for a fifth cruise ship dock downtown. The project is being developed by Huna Totem Corp., which also owns and operates the Icy Strait Point cruise ship dock and visitor recreation facility at Icy Strait. Huna Totem is the private development corporation of the Tlingit village of Hoonah. In Juneau, Norwegian Cruise Lines originally purchased the downtown Juneau property but transferred it to Huna Totem in 2023. Juneau residents are already concerned about downtown congestion from summer cruise ships but Huna Totem says the new dock location, away from where cruise ships now dock, will disperse traffic in the city’s core downtown area. Huna Totem has also agreed that no more than one ship will dock at the facility in a 24-hour period. Huna Totem has also agreed to supply electricity from the local utility while ships are in port and to provide assurance from the U.S. Coast Guard that cruise ships will not impede operations of a Coast Guard icebreaker that will use Juneau as a home port and that no vessels with more than 4,500 passengers will dock at the facility.

*Juneau activists filed a petition with city officials for a new vote on cruise ship visits and passenger limits. It would limit cruise lines to 16,000 people on most days and 12,000 on Saturdays.*